

## Message Text

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PAGE 01 MANILA 07847 170322Z  
ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 PA-02  
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04  
OPIC-06 LAB-04 SIL-01 JUSE-00 FTC-01 /109 W  
-----122493 181207Z /53

R 120906Z MAY 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 5682  
INFO AMEMBASSY BANGKOK  
AMCONSUL HONG KONG  
AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY SEOUL  
AMEMBASSY SINGAPORE  
AMEMBASSY TAIPEI

UNCLAS MANILA 07847

E.O. 11652: N/A  
TAGS: EINV, RP  
SUBJECT: PD 1352 WIPES OUT TAX-FREE IMPORTATIONS (III)

REF: (A) MANILA 7633, (B) MANILA 7771

1. IN AN INTERVIEW CARRIED MAY 12 IN BUSINESS DAY, FINANCE SECRETARY CESAR VIRATA SAID THAT THE GOP WOULD BE WILLING TO EXEMPT "SOME FIRMS IN THE PIONEER AREAS" FROM THE 5 PERCENT CUSTOMS DUTY AND 5 PERCENT INTERNAL REVENUE TAXES IMPOSED BY PD 1352 ON IMPORTATIONS OF CAPITAL EQUIPMENT.

2. VIRATA ALSO SAID THE NEW TAXES WOULD NOT AFFECT FOREIGN INVESTMENTS, SINCE MOST FOREIGN INVESTORS CAME HERE BECAUSE OF CHEAP LABOR, WHICH WOULD MEAN LESS DEPENDENCE ON IMPORTS OF CAPITAL EQUIPMENT. HE WAS QUOTED AS SAYING,  
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"IT'S NOT REALLY A TAX PROBLEM FOR THEM. IT'S A QUESTION OF HOW THEY ARE GOING TO PRICE THEIR PRODUCTS."

3. VIRATA ALSO INDICATED THAT THE ELIMINATION OF TAX-FREE IMPORTATION WAS INSPIRED BY THE U.S. MOVE TO ELIMINATE TAX DEFERRAL FOR U.S. SUBSIDIARIES. U.S. TAX POLICY IN EFFECT DISCOURAGES AMERICAN INVESTMENT ABROAD AND

WOULD NEGATE WHATEVER TAX INCENTIVE THE GOP EXTENDED.

4. COMMENT. NO PIONEER INVESTOR (BOTH FOREIGN AND DOMESTIC WHO ARE REGISTERED WITH THE BOARD OF INVESTMENTS) HAS A QUARREL WITH THE GOP'S RIGHT TO IMPOSE THE TAXES, PARTICULARLY AS THE TAX HOLIDAY IS GOOD ONLY FOR FIVE YEARS AND IS PROGRESSIVELY REDUCED, WITH FULL LIABILITY IN NEXT 10 YEARS. WHAT UNSETTLES THE INVESTOR IS THE SUDDEN, ARBITRARY AND RETROACTIVE IMPOSITION OF THE TAXES WITHOUT REGARD TO BOI AGREEMENTS MADE PURSUANT TO EARLIER LAWS. TOUSSAINT

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS, MARTIAL LAW, TAX FREE, IMPORT CONTROLS  
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**Copy:** SINGLE  
**Draft Date:** 12 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1978MANILA07847  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 MANILA 7633, 78 MANILA 7771  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
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**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014